

Bay Area Impact Investing Initiative: Collaboration and Centralization for BCDC Financing Challenges

Lauryn Agnew
June 7, 2018



SEAL COVE FINANCIAL

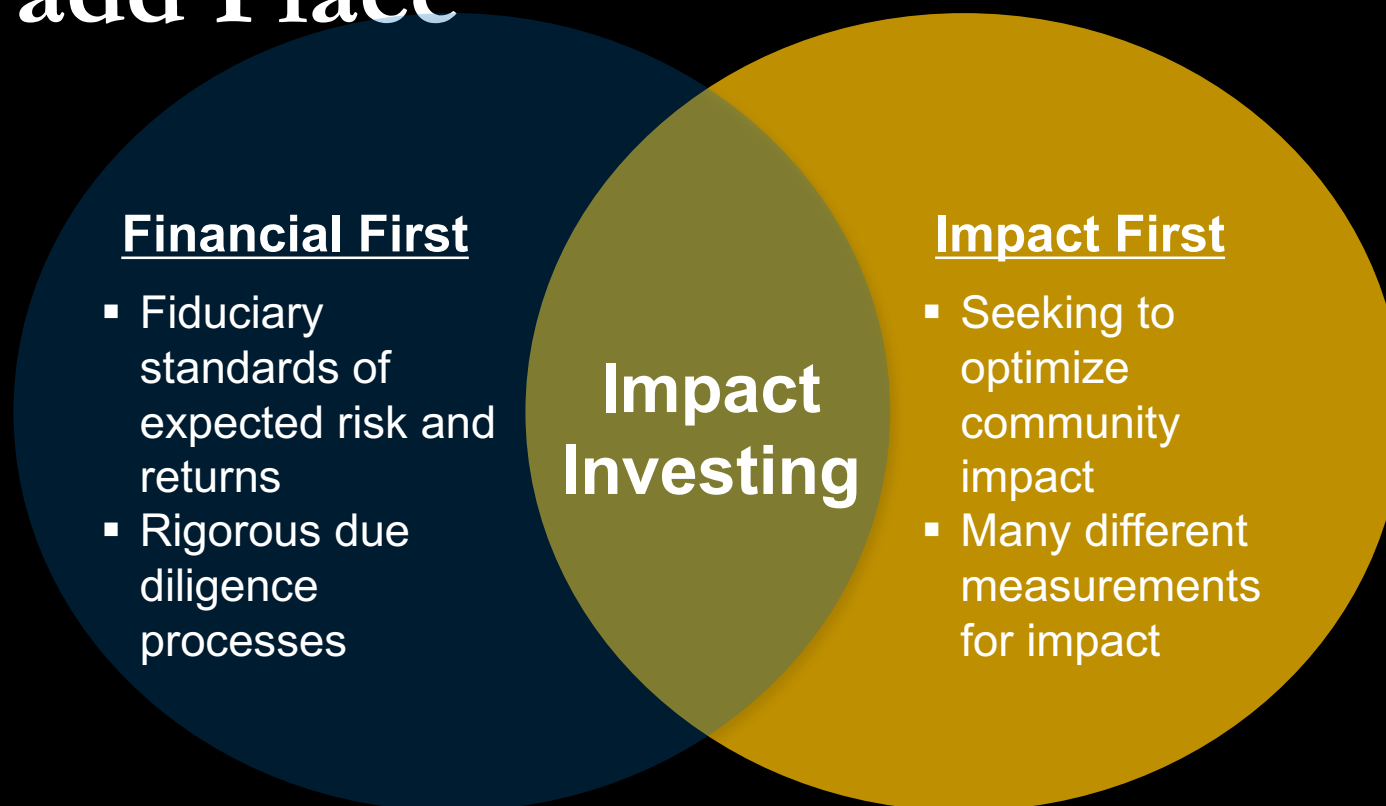
Bay Area Impact Investing Initiative



Intentionally investing local resources for local challenges: sea level rise, housing, transit, energy jobs, health, education...

What is Impact Investing?

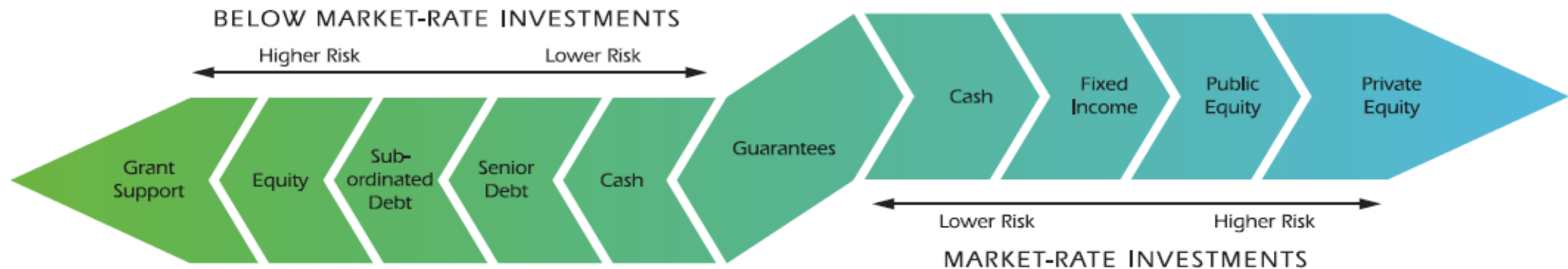
We add Place



Investments that have strong financial returns and a positive social or environmental impact

Impact Investing Continuum

THE F.B. HERON FOUNDATION'S CONTINUUM OF MISSION-RELATED INVESTING



All financial structures have impact

Impact Investing Themes

Illustrative Landscape of Impact Themes

with Asset Class Exposures

	Asset Classes				Asset Classes				
	Liquidity	Income & Wealth Preservation			Capital Appreciation & Wealth Growth			Inflation Protection	
	Cash / Cash-Alternatives	Notes / Other Debt Obligations	Bonds	Absolute Return / Low Equity Correlated	Public Equity	Equity Long / Short	Private Equity	Real Estate	Commodities, Timber & other Real Assets
Social, Environmental or Blended Impact Themes	Climate Change	Green Bank Deposit		Tax-exempt green bonds	CO ₂ Trading	Positive & Negative Screening	Clean Tech Venture Capital	Green REITs	
	Energy			Screened Corporate Bonds	Alternative Energy Project Finance	Exchange Traded Funds (ETFs)	Renewable Energy	Energy Efficiency Venture Capital	Sustainable Feedstocks
	Water			Corporate Infrastructure Bonds	Water Treatment Project Finance	Unit Investment Trust, Closed End Funds	Water Technology Venture Capital		Water Rights
	Community Development	Community Bank CDs	Foreclosure Repair		Microfinance Institutions Debt	Shareholder Proxy Voting	Community Development Venture Capital	Transportation — Smart Development Funds	
	Social Enterprises					Micro-Cap Listed Social Companies	Small & Medium Enterprise	Conservation / Ecotourism	
	Health & Wellness				Structured Public Note		Consumer Product Venture Capital	Organic Farming	
	Sustainable Development	Trade Finance Guarantee / Deposit		Smart Growth Municipal Bonds	Blended Debt Equity Hybrid Structures	Thematic Screening		Ranch Land, Agriculture	Sustainable Timber
	Education	Linked Deposit / Guarantee		Charter School Bonds			Education Private Equity	University Green Building	

Intentional Impacts by Asset Class



Each asset class has a unique combination of risk, return and impact

Target Asset Owners

Community Foundations



Quasi-Public & Private Foundations



Endowments



Public Retirement Plans

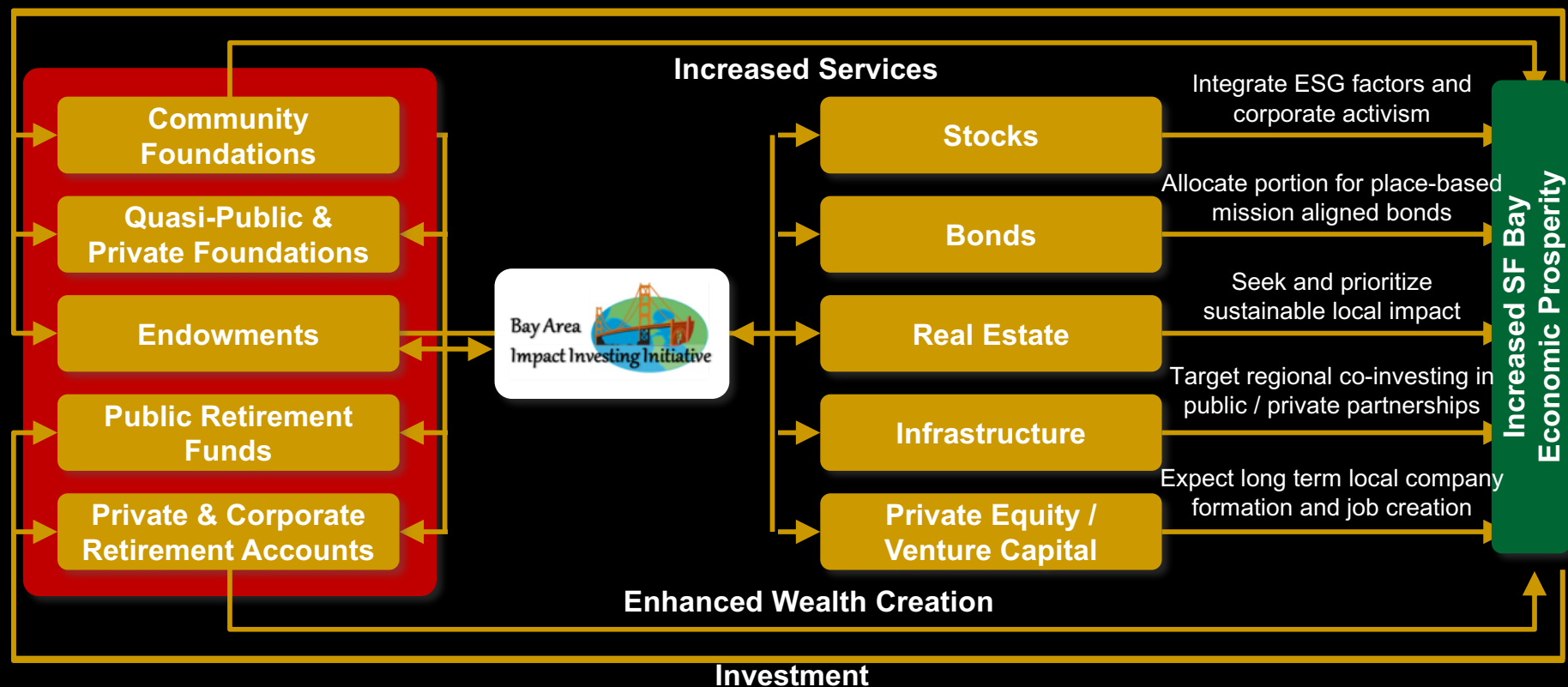


Private & Corporate Retirement Accounts

IRA, 401(k), defined contribution plans,
private trusts, family offices

Our Goal: Channel 1-2% of this >\$100 billion market into impact investments in the Bay Area

The Impact Investing Intermediary



The Quarterback Function: Centralizing and Collaborating

Bay Area Companies and Engagement

- Chevron -
Richmond project
 - ouRHOME
- Silicon Valley
companies
bordering on Bay
 - Sponge project



Bay Area companies are interested parties

Water Reclamation Partnership

Apple Inc. + City of Sunnyvale CA

Climate Action Challenge:

- Secure water delivery for increased demand (via recycled water)

Climate Action Solution:



Deal & Terms:

- New water pipeline, and booster pump linked to water treatment station – and avoids demands on fresh water supply of Cupertino.

- Total project capital: including planning, design and construction = **\$17.5 million**

- Capital-contributions:

Apple Inc. = **\$4.8 million**

Cal-Water = \$1.5 million

City of Sunnyvale: \$2.1 million

California Department of Water Resources: \$2.5 mm grant

Santa Clara Valley Water District: \$6.6 million.

- Apple has a 10 year guarantee for recycled/reclaimed water to irrigate its campus

BAIII Fixed Income – Bonds for housing, infrastructure, transit, public spaces

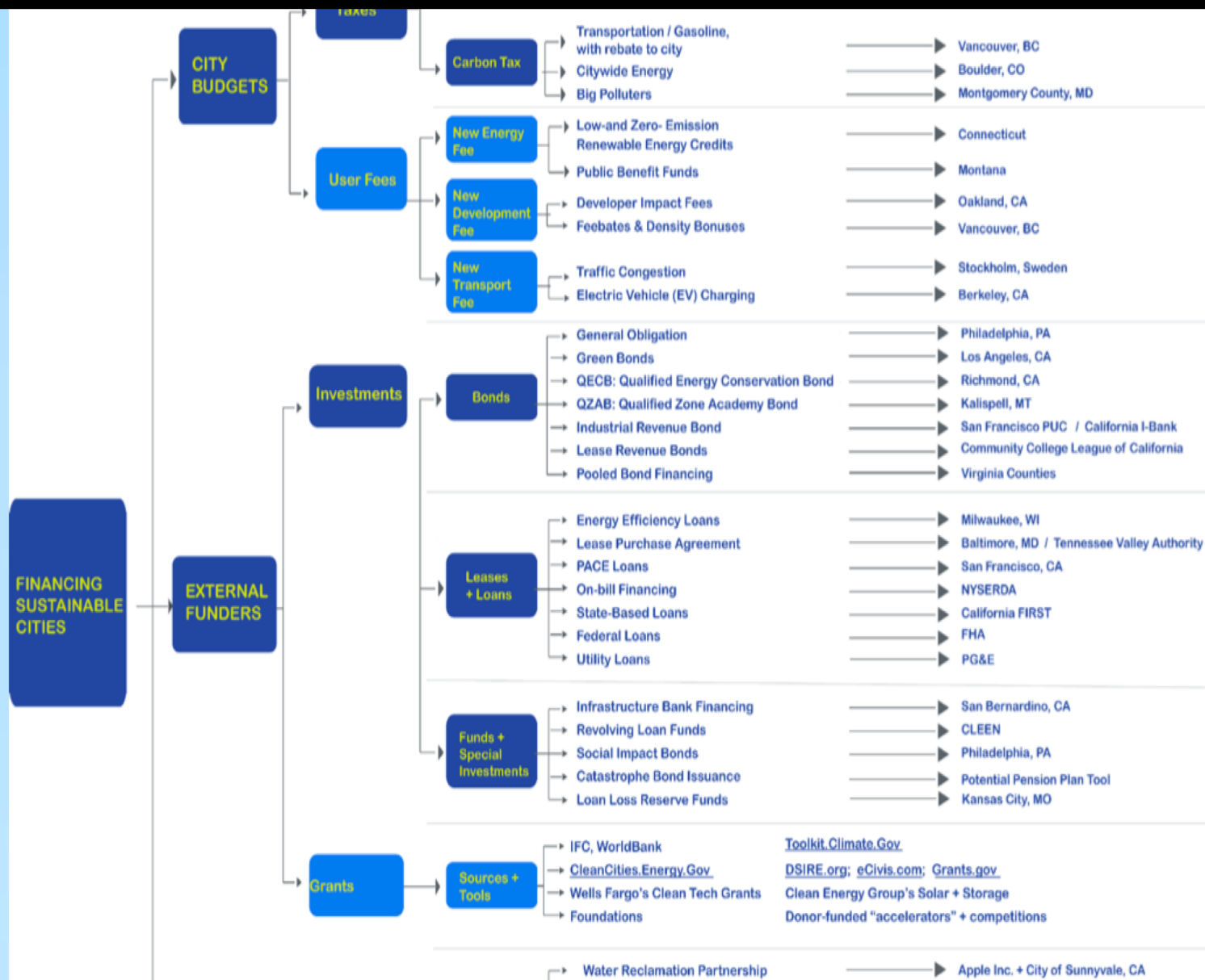


Executive Summary

FINANCING SUSTAINABLE CITIES: A TOOLKIT

*Includes: A Scan of Financing
Mechanisms, Key Metrics,
and Potential Funders
for Climate Action*

Financing Tools and Examples



California Infrastructure Bank Revolving Loan Fund

Climate Action Challenge:

- Fund energy efficiency projects

Climate Action Solution:



Your Goals

**Financial
Sources**

Key Metrics

Investors

How-To Guide

Deal and Terms

■ The Statewide Energy Efficiency Program (SWEET) is a CLEEN Center Program for small, medium and large-scale energy efficiency upgrades and projects (Energy Efficiency Projects) for California's Municipalities, Universities, Schools and Hospitals (MUSH) borrowers.

■ LED Street Lighting Program is a CLEEN Center program.

■ Objectives:

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-
-

Provide low-cost financing vehicles, which reduce the cost of clean energy and energy efficiency projects.
Leverage existing public programs and funds to attract private sector investment.
Encourage private investment by reducing the overall risk of clean energy projects.

Municipal Industrial Revenue Bonds

San Francisco PUC – Wastewater Infrastructure Bonds

Climate Action Challenge:

- Build new waste water and storm water infrastructure



Deal and Terms

- \$240 million Wastewater Revenue Bond will fund eligible projects in sustainable storm water management and wastewater projects
- **The first certified green water bond to finance sustainable water infrastructure**
- Green infrastructure is a **stormwater management tool that takes advantage of the natural processes of soils and plants in order to slow down and clean stormwater** and keep it from overwhelming the City's sewer system
- Working to maintain the 100+ year old, 900 mile long combined sewer system and 17 pump stations that collect **sewage and storm water**

Tax Increment Financing (TIF): Denver Urban Renewable Authority (DURA)

Climate Action Challenge:

- Fund redevelopment and urban renewal infrastructure

Climate Action Solution:

- Use Tax Increment

Deal and Terms

- DURA uses tax increment financing to support redevelopment or rehabilitation of blighted real property throughout Denver.
- As a result of the redevelopment, the assessed value of the property more than quintupled to \$5 million and generated more than \$380,000 in property taxes.
- With Tax Increment Financing, DURA captured the net new / incremental increase in revenue (in this case, \$300,000) and the original taxing entities continue to receive (appreciation-adjusted) revenue as if the site were still a vacant manufacturing site (\$80,000).

<http://urbanland.ill.org/economy/markets/trends/tax-increment>



Water Infrastructure Green Bond

Los Angeles, CA \$100 million

Climate Action Challenge:

- Enhance Water Infrastructure

Your Goals

Financial Sources

Key Metrics

Investors

How-To Guide

Deal and Terms

- Los Angeles issued \$100 million in green bonds for wastewater system revenue bonds.
 - The City received ratings of “AA+/AA+/AA+” from S&P, Fitch, and Kroll
- Issued to finance the **construction and improvement of the wastewater collection and treatment system** of the City through the sustainable development of Green Projects.
- All-in TIC (True Interest Cost) = 3.945%, and an Average Life of 21.7 years for the 2015 A&B Bonds.
- Infrastructure includes 6,700 miles of mainline sewers, 7 main interceptor sewers, 44 pumping plants, and 4 City-owned water reclamation plants



BAIII Real Estate: single + multi-family residential, commercial and industrial, LEED



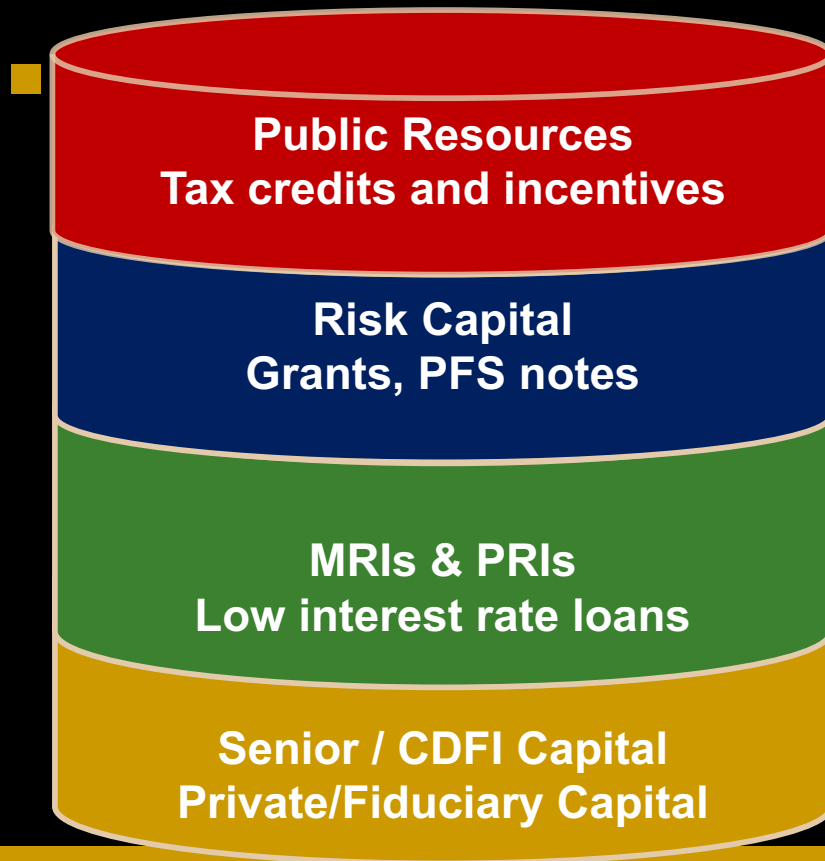
BAIII Infrastructure: housing, transit, energy



BAII Private Equity: Double-bottom-line, low-moderate income areas, green tech, environmental + social impact, jobs



P3 and the Complex Capital Stack



- Equity Risk, Grants
- Pay-For-Success notes
- Low interest rate loans/guarantees
- MRIs and PRIs
- Public resources and subsidies
- Tax credits & incentives
- Senior/fiduciary capital

Getting out of Silos and into Public Private Partnerships

Community Investing + BCDC Projects

- Create a Quarterback role to engage multiple stakeholders and funders
- Collaborate and centralize the administration and finance functions
- Opportunity Zones: investment benefits and coordination for low income neighborhoods
- CDFIs offer local impact, safety in savings
- Small business lending and mentoring

Public Private Partnerships and a Quarterback

- With collaboration for our mutually shared goals and values, we can
 - connect our assets to our community,
 - participate in place-making across the capital stack, and
 - promote regional sustainability, shared prosperity and resilience.

It makes sense to work together on our regional investments